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CD NO.

25X1A

Germany (Russian Zone)

Indebtedness of DDR to the U

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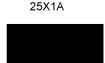
- 1. It has not been possible to confirm the reported DDR debt of DM 51,200,000
- to the USSR. It must also be assumed that such a debt account is known to a restricted circle of persons only. 25X1X
- 2. The 50% reduction (Halbierung) of the reparations payments which the USSR has promised for the years 1951 to 1965 represents only a small reduction of German payments. These payments will have to be used to finance enterprises in the Soviet Zone which are not recognized as reparations. On the basis of previous experiences, it must be assumed that at least 3,000,000,000 DM will be paid out yearly from the regular budget for this purpose. There are no indications that this sum will be reduced substantially. By multiplying the yearly payments of 3,000,000,000 DM by the number of years between 1951 and 1965 (15 years), it will be seen that the sum to be paid almost equals the debt.
- 3. It is therefore justified to assume that, where the Germans are concerned, this is a domestic account in which are entered all payments of the Soviet Zone to the occupation authorities, including the multiple payments not recognized as reparations by the Russians.
- 4. The following payments are not recognized as reparations by the Russians:
 - (1) Subsidies:
 - a) To enterprises required to make payments on the basis of the April 1944 price level (Stopp-Preise April 1944).
 - b). For many industrial products assigned to reparations and whose price level has been arbitrarily lowered by the Russians
 - c) Large sums to basic industries, especially to coal mining enterprises

In all three of the above cases, considerable financial subsidies must be made from the domestic budget. These subsidies are not recognized as reparations.

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- (2) Large payments to the occupation forces, which are not taken into account by the Russians as reparations.
- These subsidies total millions and, on order of the Russians, must be paid from the budget. On the other hand, SAG profits, which are considerable, are credited to the Russians. These profits are easily converted into goods by the Russians because of their control of industrial production. In addition to their regular reparations, this has enabled them for years to channel a stream of goods to the Soviet Union from the Soviet Zone of Germany. For the population of the Soviet Zone, this represents a continual loss.
- (4) The Wismut AG is financed exclusively from the DDR budget. This amounts to an estimated 700,000,000 to 800,000,000 PM per year.
- (5) All shipping costs, including insurance, packaging, etc. are borne by the DDR. On the basis of a Russian order, delivery of the reparations goods is made f.o.b. destination. The Russian shipping company DERUTRA holds the monopoly for shipping reparations goods. This company receives approximately 65,000,000 to 70,000,000 DM yearly. Furthermore, considerable subsidies are made by the Soviet Zone yearly to ease credity, (Verbilligung von Krediten).
- (6) All reparations goods are inspected for quality when they arrive at destination. This inspection is extremely severe and quite arbitrary. There are no Germans present during these inspections. Without sufficient grounds, wares are often classified as being of second or even third quality and entered in the books at a lower price. The consequent not inconsiderable differences in price must also be borne by the DDR budget.
- 5. The Russians have set their reparations demands at 10,000,000,000 dollars worth of goods but recognize only one-third to one-half of the real value of the goods delivered to them. This divergence between real cost and the value set by the Russians is probably the explanation for the existence of the high debt account kept by the Germans (probably in the Secretariat of the State Secretary for Finances), in which is entered all real amoratization of the DDR reparations debt. Officially, of course, it is stated that reparations demands are moderate.

